

STATEMENT ON INTERNAL CONTROL

The Board of Directors ("Board") is responsible for the Group's system of internal control and for reviewing its adequacy and integrity.

However, the Group's system of internal control is designed to manage and not eliminate the risk of failure to achieve the Group's objectives, hence it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of AmcorpGroup Berhad is pleased to disclose that:

- (i) there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year, and
- (ii) the said process is regularly reviewed by the Board and accords with the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

The Board summarises below the process it has applied in reviewing the adequacy and the integrity of the system of internal control:

- (i) The Board has appointed the Audit Committee to examine the effectiveness of the Group's systems of internal control on behalf of the Board. This is accomplished through the review of the internal audit department's work, which focuses on areas of priority as identified by risk analysis and in accordance with audit plan approved by the Audit Committee.
- (ii) The Group's Risk Management Framework is outlined in the Group's Risk Management Policy. The Audit Committee shall assist the Board in evaluating the adequacy of the Group's Risk Management Framework. A Risk Management Committee comprising members of senior management monitors the risks faced by the Group and the Risk Management Committee reports to the Audit Committee.
- (iii) The framework of the Group's system of internal control and key procedures include:

- A management structure exists with clearly defined lines of responsibility and the appropriate levels of delegation.
- Key functions such as accounts, tax, treasury, insurance and legal matters are controlled centrally.
- The management determines the applicability of risk monitoring and reporting procedures and is responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls.
- Policies and procedures are clearly documented in the Corporate Policy Manual and Standard Operating Procedures of most of the Operating Units in the Group with which its operations must comply.
- Corporate values, which emphasis ethical behavior, quality products and services, are set out in the Group's Employee Handbook.

(iv) The Group also practices Annual Budgeting and monitoring process as follows:

- There is an annual budgeting process for each area of business and approval of the annual budget by the Board.
- Actual performance compared with budget is reviewed monthly with detailed explanation of any major variances and budget for the current year is reviewed at least once in 6 months.

The state of internal control of AMMB Holdings Berhad and AMDB Berhad, both associated companies of AmcorpGroup Berhad have been disclosed in the Statement on Internal Control made by their respective Board of Directors and are thus excluded from this Statement.

There were no material losses incurred during the current financial year as a result of weaknesses in internal control.